

27 Jul 2022

# TNG Investment & Trading (TNG)

## Maintain earnings growth momentum

### Stellar business results in 2Q22

TNG posted impressive business results in 2Q22 with revenue of VND1,982bn (+36% yoy, +57% qoq) and NPAT of VND87bn (+40% yoy, +129% qoq). Overall, in 1H22, the company achieved VND3,242bn (+37% yoy) in revenue and VND125bn in NPAT (+49% yoy) thanks to the recovered demand in main export markets including the US, Canada, and the EU, which account for 90% of the company's total export value. After the first 6 months, TNG has fulfilled 54% and 45% of their 2022F's revenue and NAPT guidance, respectively.

### GPM and NPM both improved

By optimizing the customer base with a higher profit margin, TNG has fattened its gross profit margin in 2Q22 to 15.7% (+1.3%p yoy, +3.2%p qoq). In 2Q22, TNG's SG&A to revenue ratio was 6.2%, down 0.9% yoy and 1.3% qoq thanks to applying lean automation for each sewing line and using self-developed ERP software to better manage expenses. With those strategic moves, the company enjoyed a higher net profit margin of 4.4%, up 0.2% yoy and 1.4% qoq.

### 2H22F outlook expected to remain solid

Due to the ongoing Russia-Ukraine tension and China's Zero-Covid policy, raw materials and transportation costs are still expected to remain at a high level in 2H22. However, with a high percentage of CMT orders, TNG's profit margin will be more stable compared to other FOB manufacturers. Besides, in 2H22, TNG plans to expand the number of sewing lines to 324 (currently, there are only 288 sewing lines in operation, reaching only 89% of the designed capacity) to receive larger orders and strengthen its competitiveness compared to other domestic manufacturers.

We expect Vietnam's textile export to slow down in 2H22 due to the high inflation situation in main export markets, which may cause consumers to tighten spending on non-essential goods. However, with orders already received until the end of 3Q22 and the leading position in the industry, we believe TNG will maintain the growth momentum in 2H22 to achieve its 2022F guidance.

Year	Sales	OP	NP	EPS	% chg	EBITDA	PE	EV/EBITDA	PB	ROE	DY
	(VND bn)	(VND bn)	(VND bn)	(VND)	(YoY)	(VND bn)	(x)	(x)	(x)	(%)	(%)
2017A	2,489	220	115	2,664	12.4	1,567	10.3	7.5	1.7	20.0	0.0
2018A	3,613	327	180	3,190	19.7	1,850	7.4	5.7	1.6	25.3	0.0
2019A	4,612	408	230	2,715	(14.9)	1,936	7.7	5.3	1.6	24.7	3.1
2020A	4,480	311	154	608	(77.6)	1,634	13.5	7.9	1.7	13.9	3.1
2021A	5,444	399	232	2,492	309.8	1,789	13.5	7.9	1.6	17.8	3.1

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

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12M rating **Non-rated**

12M TP **N.A**

Up/Downside **N.A**

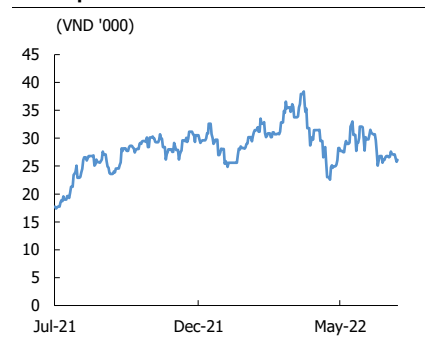
### Stock Data

VNIndex (27 Jul, pt)	1,191
Stock price (27 Jul, VND)	26,100
Market cap (USD mn)	112
Shares outstanding (mn)	100
52-Week high/low (VND)	38,396/17,387
6M avg. daily turnover (USD mn)	4.43
Free float / Foreign ownership (%)	60.7/4.0
Major shareholders (%)	
Nguyen Van Thoi	18.0
Asam Vietnam Mezzanine	11.6

### Performance

	1M	6M	12M
Absolute (%)	(14.7)	4.9	47.2
Relative to VNIndex (%p)	(14.1)	23.3	52.5

### Stock price trend



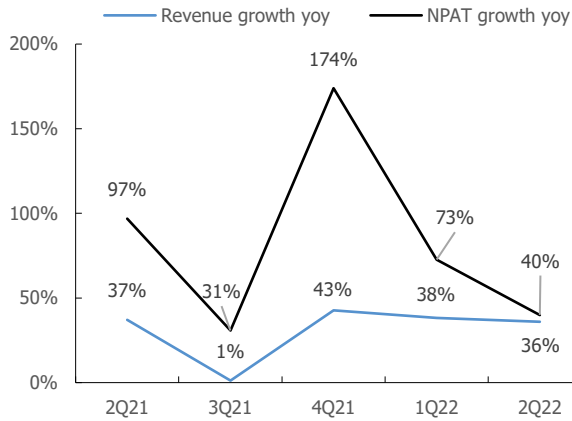
Source: Bloomberg

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## Valuation

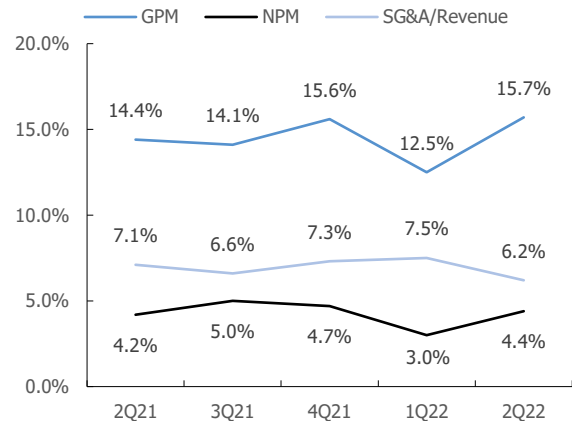
TNG is trading at 9.19x TTM PE and 1.78x TTM PB, lower than the 1-year median of 12.52x and 2.05x, respectively.

**Figure 1. Revenue and NPAT growth rate**



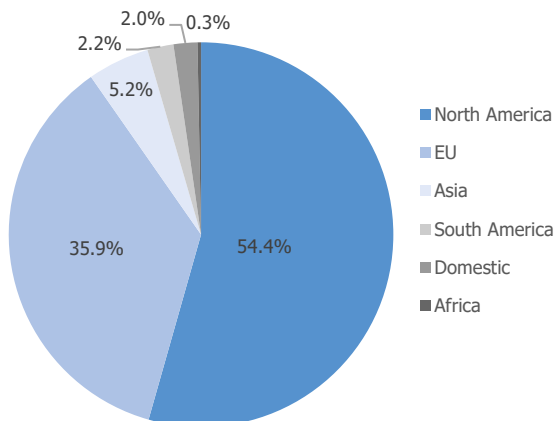
Source: Company data, Korea Investment & Securities

**Figure 2. Gross profit margin and Net profit margin**



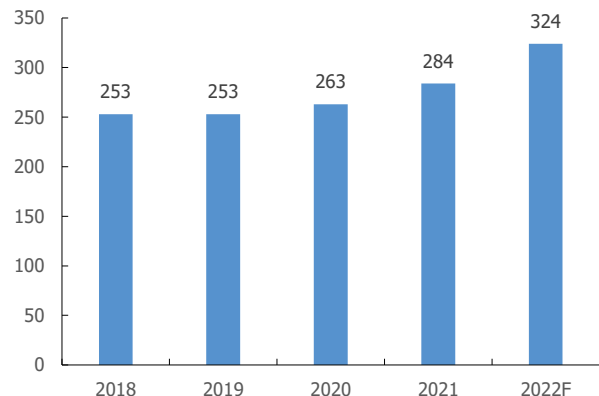
Source: Company data, Korea Investment & Securities

**Figure 3. Export by regions in 1H22**



Source: Company data, Korea Investment & Securities

**Figure 4. Number of sewing lines**



Source: Company data, Korea Investment & Securities

## ■ Company overview

Founded in 1979, TNG Investment & Trading JSC (TNG) is one of the leading garment companies in Vietnam. TNG is increasingly consolidating its leading position in the garment industry with international outsourcing contracts for famous brands such as ZARA, MANGO, GAP, Columbia, Walmart, Target, Decathlon, and JCPenney, as well as its fashion brand – TNG Fashion.

**Balance sheet**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Current assets	1,111	1,375	1,594	1,701	2,026
Cash & cash equivalents	10	13	293	133	14
Accounts & other receivables	432	478	364	451	719
Inventory	611	822	860	1,026	1,159
Non-current assets	1,115	1,221	1,433	1,854	2,342
Fixed assets	909	979	1,116	1,250	1,501
Investment assets	123	132	204	500	704
Others	133	152	175	182	249
Total assets	2,226	2,595	3,027	3,555	4,367
Advances from customers	4	2	2	30	4
Unearned revenue	0	0	0	0	5
Trade payables	175	220	229	410	684
Others	66	319	298	114	133
ST debt & due bonds	1,075	1,031	1,051	1,282	1,622
LT debt & bonds	275	229	381	571	457
Total liabilities	1,596	1,801	1,961	2,407	2,905
Controlling interest	629	794	1,067	1,148	1,462
Capital stock	411	493	652	740	927
Capital surplus	31	31	35	37	41
Other reserves	72	90	149	247	262
Retained earnings	115	180	230	124	232
Minority interest	0	0	0	0	0
Shareholders' equity	629	794	1,067	1,148	1,462

**Income statement**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Sales	2,489	3,613	4,612	4,480	5,444
COGS	2,052	2,972	3,825	3,804	4,717
Gross profit	437	641	787	676	727
SG&A expenses	217	314	379	365	328
Operating profit	220	327	408	311	399
Financial income	14	28	21	34	60
Interest income	20	59	104	114	0
Financial expenses	90	136	136	145	170
Interest expenses	74	92	101	101	125
Other non-operating profit	(8)	(5)	(4)	(15)	(7)
Gains (Losses) in associates, subsidiaries and JV	0	0	0	0	0
Earnings before tax	137	214	289	186	281
Income taxes	22	34	59	32	49
Net profit	115	180	230	154	232
Net profit of controlling interest	115	180	230	154	232
EBITDA	1,567	1,850	1,936	1,634	1,789

**Cash flow**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
C/F from operations	(66)	116	410	197	36
Net profit	115	180	230	154	232
Dep'n & Amort'n	102	113	129	150	164
Net incr. in W/C	(283)	(177)	51	(107)	(360)
C/F from investing	(139)	(208)	(337)	(490)	(577)
Capex	(141)	(210)	(337)	(490)	(580)
Incr. in investment	2	2	0	0	3
C/F from financing	204	94	206	133	422
Incr. in equity	0	0	25	0	0
Incr. in debt	204	94	182	215	451
Dividends	0	0	0	(82)	(30)
C/F from others	0	0	0	0	0
Increase in cash	(2)	2	280	(160)	(119)

**Key financial data**

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Per-share data (VND, adj.)					
EPS	2,664	3,190	2,715	608	2,492
BPS	15,304	16,105	16,365	15,514	15,771
DPS	0	0	0	1,108	324
Growth (%)					
Sales growth	31.8	45.2	27.7	(2.9)	21.5
OP growth	34.1	48.6	24.8	(23.8)	28.3
NP growth	41.7	56.5	27.8	(33.0)	50.6
EPS growth	12.4	19.7	(14.9)	(77.6)	309.8
EBITDA growth	96.2	36.6	22.0	(14.2)	22.1
Profitability (%)					
OP margin	8.8	9.1	8.8	6.9	7.3
NP margin	4.6	5.0	5.0	3.4	4.3
EBITDA margin	12.9	12.2	11.6	10.3	10.3
ROA	5.6	7.5	8.2	4.7	5.9
ROE	20.0	25.3	24.7	13.9	17.8
Dividend yield	0.0	0.0	3.1	3.1	3.1
Dividend payout ratio	0.0	0.0	0.2	0.4	0.4
Stability					
Net debt (VND bn)	1,340	1,447	1,304	1,720	2,065
Net debt/equity (%)	213.0	182.2	122.2	149.8	141.2
Valuation (x)					
PE	10.3	7.4	7.7	13.5	13.5
PB	1.7	1.6	1.6	1.7	1.6
EV/EBITDA	7.5	5.7	5.3	7.9	7.9

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